

Peoples⁺
1972
ANNUAL
REPORT

Sub

PEOPLES CREDIT JEWELLERS LIMITED



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PEOPLES CREDIT JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

MARVIN GERSTEIN, vice-chairman

IRVING R. GERSTEIN

officers

BERTRAND GERSTEIN
chairman of the board

MARVIN GERSTEIN
vice-chairman

IRVING R. GERSTEIN
president

JAMES T. RODDY
vice-president, finance & treasurer

JAMES A. HENRY
*vice-president & general manager,
Peoples Stores Division*

DAVID LEVINE
president, Mappin's Limited

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
1901 YONGE STREET, TORONTO, CANADA

PEOPLES CREDIT JEWELLERS LIMITED

NINETY-EIGHT STORES AS AT JANUARY 31, 1973

	<u>Peoples</u>	<u>Mappin's</u>	<u>MacKenzie's</u>	<u>Leased Departments</u>
BARRIE	1			
BELLEVILLE	1			1
BRAMPTON	1			
BURLINGTON	1	1		
CALGARY	3		2	
CLARKSON	1			
EDMONTON	8	1	1	
HALIFAX	2			
HAMILTON	2			
HULL	1			
KAMLOOPS	1			
KELOWNA	1			
KINGSTON	2			
LETHBRIDGE	1		1	
LONDON	1			
MONCTON	2			
MONTREAL	9	2		
MOOSE JAW	1			
NANAIMO	1			
NEW WESTMINSTER	1			
OAKVILLE	1			
OTTAWA	2			
PETERBOROUGH	1			1
PICKERING	1			
PRINCE ALBERT	1		1	
PRINCE GEORGE	1			
RED DEER	1			
REGINA	1		2	
SARNIA	1			
SASKATOON	2	1		
THUNDER BAY		3*		
TORONTO	6	2		2
VANCOUVER	4	2		
VICTORIA	2			
WELLAND				1
WINDSOR	3	1		
WINNIPEG	5			
TOTAL	<u>73</u>	<u>13</u>	<u>7</u>	<u>5</u>

* Operated under the name of Birks Stitt Credit Jewellers

PEOPLES CREDIT JEWELLERS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The fiscal year ended January 31, 1973 produced the greatest volume of sales and the greatest net income in the 53 year history of the Company. Sales for the year were \$30,838,929, up from \$27,520,925, the previous year — an increase of 12%. Net income was \$2,150,323, or \$1.42 a share, compared with \$1,550,129, or \$1.01 a share, the previous year — an increase of 39%. Working capital increased from \$10,501,445 to \$11,592,962. As usual the greater part of earnings has been retained for reinvestment in the further development of the Company.

During the year we continued our policy of aggressive expansion. Nine traditional Peoples Stores were opened in Shopping Centres in Barrie, Calgary, Prince George, Malton, Surrey, Prince Albert, Edmonton, Hull and Pickering; Mappin's Stores were opened in Thunder Bay, Edmonton and in Toronto in the Commerce Court; and one MacKenzie Store was opened in Edmonton for a total of thirteen. Of particular interest is the fact that in the Londonderry Shopping Centre, one of the largest Shopping Centres in Western Canada, the three jewellery stores are Peoples, Mappin's and MacKenzie's.

As was previously reported, we disposed of our six Coronet Card Shops in March 1972. It was the opinion of Management that the resources of the Company and the energy of its personnel would bring greater rewards when directed within the jewellery industry. In the fourth quarter, three Leased Departments in Department Stores were closed with the result that our total number of Stores at the year-end was ninety-eight.

The current year will see the greatest expansion in our history as we have already opened Peoples Stores in Bramalea, Hamilton and Windsor, Mappin's Stores in Bramalea and Hamilton, and we are presently committed to an additional twenty-three Peoples Stores and six Mappin's Stores for a total of thirty-four stores this year. Of the eight Mappin's Stores, seven will be in Regional Shopping Centres in which Peoples is also located so that in seven major Shopping Centres being developed this year, both Peoples and Mappin's will be represented.

In my Annual Report for the fiscal year ended January 31, 1971, I reported that the Company had entered into a Joint-Venture with a subsidiary of the Toronto Dominion Bank, the purpose of which was to redevelop a property in Regina, Saskatchewan and erect a major office building. I am happy to report that the original building on this property has been demolished and the erection of a fifteen storey modern office building has now commenced, the ground floor of which will provide for the Main Branch Office of the Toronto Dominion Bank in Saskatchewan and a modern, new and beautiful store for MacKenzie's. Financing of the development has been arranged through Institutional Investors. It is our hope that this will be the first in a program of redevelopment of the key downtown properties owned by the Company across Canada.

This year an Annual and Special General Meeting of the 6% Preferred and Common Shareholders of the Company and a Special Meeting of Class A Shareholders of the Company will be held. The Board is submitting for approval two by-laws which it has enacted one of which will require the confirmation of the Class A Shareholders. In this regard, I feel that a word of explanation is in order.

The Directors propose an increase from three to five in the membership of your Board. In view of the physical growth of the Company, the broader area of its activities, and the wider distribution of the ownership of its shares, it is felt that the Board should be enlarged so as to include other than members of the Gerstein Family, and to provide for representation from other sectors of the business community. Subject to your approval, we have invited Messrs. Sydney M. Hermant and Robert A. Kingston, Q.C. to join the Board of the Company.

Sydney M. Hermant is President of Imperial Optical Company Limited, a Director of the Canadian Imperial Bank of Commerce, North American Life Assurance Company, Governor of the University of Toronto, and a Past President of the Board of Trade of Metropolitan Toronto.

Robert A. Kingston, Q.C. is a Partner of the Legal Firm of Blake, Cassels & Graydon, a Director of American Hospital Supply (Canada) Ltd., Associates Acceptance Co. Ltd., Canadian Brass Ltd., Canadian Laboratory Supplies Ltd., Fittings Ltd., North American Rockwell of Canada Ltd., and Sotheby & Co. (Canada) Ltd.

I am sure you will agree that with their background and experience in the general community, Messrs. Hermant and Kingston will contribute a great deal to our plans for continued growth and expansion in the years ahead.

We are also proposing that our Charter be amended as follows:

1. To change the name of the Company to "Peoples Jewellers Limited". In 1919 when the Company was founded credit was a new and unique concept in retail merchandising. Today it is no longer new or unique. The change in name we feel is in keeping with the modern image of the Company as the name Peoples Credit was in its day.
2. To subdivide the Class A and the Common Shares of the Company on a two-for-one basis. With a growing investor interest and recent advances in their market price, we should like the Shares of the Company to be available at prices that are traditionally more appropriate for the Canadian market.
3. To reflect the redemption by the Company of certain 6% Preferred Shares.

I ended my Report to the Shareholders last year on a note of confidence. I am happy to again report that our experience during the first months of our current fiscal year with respect to both sales and profit are such as to make us confident that the current year will again show a substantial increase in net income.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board.

Toronto, April 5, 1973.

PEOPLES CREDIT
(Incorporated under the laws of the State of New York)
and Subsidiaries

CONSOLIDATED BALANCE SHEET
as of December 31, 1973
with comparative figures for 1972

ASSETS		1973	1972
CURRENT ASSETS			
Cash		\$ 89,940	\$ 81,103
Accounts receivable (note 2)		7,132,457	7,165,025
Merchandise, valued at cost or market, whichever is the lower		9,365,373	7,094,655
Prepaid expenses		79,343	82,825
TOTAL CURRENT ASSETS		16,667,113	14,423,608
LOANS FOR EMPLOYEE SHARE PURCHASES (note 4)		347,905	1,042,528
INVESTMENT IN TORCRED DEVELOPMENTS LIMITED (note 5)		300,000	300,000
FIXED ASSETS			
Buildings		3,364,929	3,108,156
Furniture and fixtures		5,135,000	4,468,580
Automobiles		86,026	97,765
TOTAL — at cost		8,585,955	7,674,501
LESS: Accumulated depreciation		4,730,821	4,379,205
		3,855,134	3,295,296
Land, at cost		1,614,032	1,614,657
Leasehold improvements, at cost less amortization		925,855	657,560
TOTAL FIXED ASSETS		6,395,021	5,567,513
On behalf of the Board			
Bertrand Gerstein, <i>Director</i>			
Marvin Gerstein, <i>Director</i>			
		<u>\$23,710,039</u>	<u>\$21,333,649</u>

(the accompanying notes are an integral part of these financial statements)

WELLERS LIMITED

(In accordance with the laws of Canada)

Companies

STATEMENT OF FINANCIAL POSITION AS AT JANUARY 31, 1973

Figures for 1972

LIABILITIES

	1973	1972
CURRENT LIABILITIES		
Bank indebtedness (note 2)	\$ 2,441,707	\$ 799,092
Accounts payable	1,614,959	1,637,348
Income and other taxes payable	653,339	1,122,932
Dividends payable	112,146	111,791
Instalments on long-term debt due within one year	252,000	251,000
TOTAL CURRENT LIABILITIES	5,074,151	3,922,163
DEFERRED INCOME TAXES	225,000	175,000
LONG-TERM DEBT (note 3)	2,170,929	2,422,953

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)			
AUTHORIZED:	SHARES		
6% cumulative redeemable preferred shares, each of \$100 par value	4,324		
Class A non-voting, participating shares without nominal or par value	2,000,000		
Common shares without nominal or par value	1,000,000		
ISSUED:			
6% preferred shares (1972 — 7,117)	4,324	432,400	711,700
Class A shares	1,047,480	1,697,288	1,667,663
Common shares	447,800	84,233	84,233
		2,213,921	2,463,596
RETAINED EARNINGS		14,026,038	12,349,937
TOTAL SHAREHOLDERS' EQUITY		16,239,959	14,813,533
		\$23,710,039	\$21,333,649

(Integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED JANUARY 31, 1973
with comparative figures for 1972

	1973	1972
Sales	\$30,838,929	\$27,520,925
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	25,870,926	23,580,330
Depreciation and amortization	488,311	447,961
Interest on long-term debt	162,245	177,990
Interest on bank indebtedness	135,124	148,515
	<u>26,656,606</u>	<u>24,354,796</u>
INCOME before provision for income taxes	4,182,323	3,166,129
Provision for income taxes	2,032,000	1,616,000
NET INCOME for the year	<u>\$ 2,150,323</u>	<u>\$ 1,550,129</u>
Earnings per Class A and Common share (note 4):		
Net income for the year	<u>\$1.42</u>	<u>\$1.01</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1973
with comparative figures for 1972

	1973	1972
RETAINED EARNINGS — beginning of year	\$12,349,937	\$11,215,458
<i>Add:</i>		
Net income for the year	2,150,323	1,550,129
	<u>14,500,260</u>	<u>12,765,587</u>
<i>Deduct:</i>		
Dividends — preferred shares	26,128	43,015
— class A shares	313,754	260,685
— common shares	134,340	111,950
	<u>474,222</u>	<u>415,650</u>
RETAINED EARNINGS — end of year	<u>\$14,026,038</u>	<u>\$12,349,937</u>

(the accompanying notes are an integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1973

with comparative figures for 1972

	1973	1972
Funds were provided from:		
Operations:		
Net income for the year	\$ 2,150,323	\$ 1,550,129
Add: Expenses which do not require an outlay of funds:		
Depreciation and amortization	488,311	447,961
Deferred income taxes	50,000	27,600
	2,688,634	2,025,690
Issue of Class A shares under option	29,625	—
Payments on loans for employee share purchases	694,623	113,968
Proceeds on sale of property	—	600,000
TOTAL FUNDS PROVIDED	3,412,882	2,739,658
Funds were applied to:		
Dividends	474,222	415,650
Equity in joint venture	—	300,000
Purchase of fixed assets (net)	1,315,819	526,409
Reduction of long-term debt	252,024	250,661
Redemption of preferred shares	279,300	62,000
TOTAL FUNDS APPLIED	2,321,365	1,554,720
Increase in working capital	1,091,517	1,184,938
Working capital — beginning of year	10,501,445	9,316,507
Working capital — end of year	\$11,592,962	\$10,501,445

(the accompanying notes are an integral part of these statements)

AUDITORS' REPORT

To the Shareholders
Peoples Credit Jewellers Limited

We have examined the consolidated balance sheet of Peoples Credit Jewellers Limited and its subsidiary companies as at January 31, 1973, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at January 31, 1973, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 23, 1973

Clarkson, Gordon & Co.
Chartered Accountants

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1973

1. CONSOLIDATION

The accompanying consolidated statements include the accounts of all subsidiaries.

2. ACCOUNTS RECEIVABLE

Accounts receivable have been pledged as security for bank indebtedness and are shown net of the following:

	1973	1972
Allowance for doubtful accounts	\$ 426,000	\$ 420,000
Unearned service charges	\$ 374,000	\$ 365,000

3. LONG-TERM DEBT

	1973	1972
6¼ % Debenture due June 30, 1981 repayable in annual instalments of \$245,000	\$2,230,000	\$2,475,000
7¼ % — 9¼ % Mortgages Payable due 1984 to 1986	192,929	198,953
	2,422,929	2,673,953
Less current instalments included in current liabilities	252,000	251,000
	<u>\$2,170,929</u>	<u>\$2,422,953</u>

Requirements for repayment of long-term debt in each of the next five years amount to approximately \$255,000.

The Debenture is collaterally secured by a fixed and floating charge on the Company's properties. Under the agreement securing the Debenture, there are various restrictions affecting the payment of dividends. At the end of the year consolidated retained earnings, free of restrictions and available for payment of dividends, exceeded \$5,700,000 (1972 — \$4,000,000).

4. CAPITAL STOCK AND SHARE OPTIONS

On July 9, 1971 and on July 25, 1972, the Company granted options at \$6.25 and \$15.75 respectively, to certain officers (other than directors) and employees to purchase Class A Shares. The options are granted for six years and may be exercised as to 20% of the optioned shares, on a cumulative basis, in each of the years commencing one year after the date of granting the option. During the year, options were exercised for 4,740 Class A Shares at \$6.25 of which 2,600 Class A Shares were to officers. As at January 31, 1973, options to purchase 41,600 Class A Shares at \$6.25 of which, options for 7,200 Class A Shares were to officers and options to purchase 7,800 Class A Shares at \$15.75, were outstanding.

The exercise of the outstanding options would not result in a material dilution of earnings per share.

The loans for employee share purchases arose in connection with the Executive Stock Purchase Plan (other than directors) and Select Employees Stock Acquisition Program of the Company. These amounts are non-interest bearing and are due in annual instalments to 1979.

5. INVESTMENT IN TORCRED DEVELOPMENTS LIMITED

Torcred Developments Limited, a 50%-owned joint venture with a Canadian Chartered Bank, is erecting a commercial office building in Regina for which financing has been arranged. The shares of Torcred are carried on an equity basis which equals the cost of the Company's investment to January 31, 1973. The Company is contingently liable for 50% of any additional financing that might be required to complete this project. At the present time, it does not appear that such financing will be necessary.

6. OTHER INFORMATION

Nine officers of the Company received \$320,000 remuneration as officers. The three directors received no remuneration as directors and are all officers of the Company.

7. COMMITMENTS

A number of the Company's store locations are held on leases entered into for periods from five to twenty years. Most of these leases are for minimum rentals and many contain percentage-of-sales clauses. The minimum annual rentals payable under all such leases currently in force totals \$1,035,500 and actual rentals in the year amounted to \$1,520,500.

8. CORONET CARD SHOPS

During the year, the Company sold the assets of the Coronet Card Shop operation for its net cost.

